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Some Losers in Silicon Valley Turned to Spying for Wealth

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SAN JOSE, Calif., Oct. 22 — In what used to be a lush agricultural valley, where specks of sand started a new California gold rush in which it seemed almost anyone could become a millionaire, James Durward Harper Jr. and William Bell Hugle were among the losers.

Now Mr. Harper is accused of espionage and he has accused Mr. Hugel, one of the first of the entrepreneurs who came here two decades ago and helped create the high-technology industry, of complicity in a plot to send American military secrets to the Soviet bloc.

Much remains to be unraveled about the espionage case. Mr. Hugel has not responded publicly to the accusation, although members of his family say he denies it. But the case has shaken as never before the community of 900 or so industrial companies near here.

Other Arrests Expected

Long regarded as the world's foremost center of electronics research and development, the area has become known as Silicon Valley, from the silicon, a derivative of common sand, that is used to make the tiny electronic circuits that drive modern computers, missile guidance systems and various other things, from clock-radios to electronic video games.

Before their investigation is over, Federal officials say they expect other people here besides Mr. Harper to be arrested for illegally providing data about American technology to hostile countries.

Mr. Harper's lawyer, William Dougherty, says his client has admitted the espionage and has identified at least six people who, for a fee, provided data that Mr. Harper later sold to Polish agents. The Federal Bureau of Investigation says the Poles turned the

materials over to the K.G.B., the Soviet intelligence agency.

According to security specialists and others in Silicon Valley, the investigation of Mr. Harper and other recent espionage cases in California's military-related industry have demonstrated the vulnerability of American technology to foreign agents, the weakness of security measures at some companies and the apparent ineffectiveness of Federal counterintelligence in protecting the technology.

The local police say that in 1978 Federal agents ignored a tip that an American was selling important technical data to the same Polish agent who was accused this week by the F.B.I. of directing Mr. Harper's espionage activities.

Moreover, the security specialists here say the Harper case has provided new evidence of how, while high technology has created huge fortunes for some people, a few others among those left out turn to technological espionage to accumulate their fortunes. One law enforcement source said that after a period in the Carter Administration when relatively low priority was given to the problem, Federal agents are now investigating at least a dozen cases of possible foreign espionage in Silicon Valley.

"What you've got in the valley is a very aggressive group of overachievers," said John D. Shea, a security consultant to industry and the Central Intelligence Agency. "It's a highly motivated, fast-track, materialistic environment; most people live far beyond their means; there are more Ferraris and Mercedes in this area than anywhere in the world." In such an environment, he said, some people sell secrets to keep up with the crowd.

Andropov Rewarded Agents

In an affidavit made public by the Justice Department, Mr. Harper is accused of delivering technical data about the Minuteman missile system of such importance that Yuri V. Andropov, now the Soviet leader and the head of the K.G.B., gave awards to the Polish agents who received the material.

ise, who had a "secret" security clearance at a company where she worked, Systems Control. She died of cirrhosis of the liver in June at the age of 39.

According to the affidavit, Mr. Harper said he first provided data about American technology to the Poles in 1975, after being introduced to them by Mr. Hugel in Warsaw.

It also quotes him as saying that at a 1979 meeting in Geneva with Mr. Hugel and Zdzislaw Prychodzien, a lieutenant colonel in the Polish intelligence service, it was agreed that proceeds from the sale of documents to Poland would be divided equally between Mr. Hugel, Mr. Harper and Mrs. Harper.

Mr. Harper is said to have admitted traveling to Europe often in 1979 and 1980 with documents sought by Polish agents and receiving more than \$250,000 from them.

The affidavit says an unidentified former Polish intelligence agent, apparently a defector, corroborated much of Mr. Harper's story. But the account of his espionage comes largely from statements that Mr. Harper made anonymously to the Central Intelligence Agency in a strange, unsuccessful attempt over two years to become a double agent.

Made Contact With Lawyer

According to Mr. Dougherty, Mr. Harper's attorney, a man who identified himself as "Jay" and who turned out to be Mr. Harper called him at his office near Los Angeles in September 1981 and asked for a meeting. He said he had chosen Mr. Dougherty because he had read in a book about his role as a defense attorney for Christopher John Boyce, who was sentenced to 40 years for espionage in 1977, subsequently escaped from prison and was recaptured in 1981.

At the meeting, Mr. Harper agreed to turn himself in only if he was guaranteed immunity from prosecution. At subsequent meetings, he provided statements in response to questions from the C.I.A. about his espionage activities. Mr. Dougherty said that in March 1982 Mr. Harper named Mr. Hugel and at least one other person in the Silicon Valley who he said were involved in the operation.

Mr. Dougherty said the F.B.I. and the C.I.A. somehow managed to identify "Jay" as Mr. Harper on their own, possibly by establishing that he had a relationship with Mr. Hugel. He said he believed the agencies delayed arresting him because they hoped he might eventually be useful as a double agent.

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